

The Director of Central Intelligence

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14 August 1978

The Honorable James R. Schlesinger
The Secretary of Energy
Washington, D.C. 20585

Dear Jim,

Attached is a very short report on the role intelligence might best play in supporting U.S. energy policy and planning. This was prepared by my Science and Technology Advisory Panel. After you have an opportunity to read it, I would like very much to get together with you to discuss this report and any other ideas you may have on how we can be supporting you better. May I invite you and two or three of your assistants to come to the Agency for luncheon with me and our top people involved in collecting and analyzing energy information.

Yours,

STANSFIELD TURNER

Enclosure

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Proposed Intelligence Activities in Support of US Energy Policy and Planning

A Report of the DCT's
Science and Technology Advisory Panel

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PREFACE

The DCI's Science and Technology Advisory Panel (STAP) is a multidisciplinary group of prominent scientists and engineers from outside the Intelligence Community chartered to provide a long-range perspective on scientific and technological issues likely to impact significantly on the community. This particular STAP report is concerned with the present status and future role of the Intelligence Community in support of US energy policy and planning. It is based on interactions between STAP members and energy specialists in various government agencies, as well as a review of relevant current literature. The report is intentionally brief to ensure the timely dissemination of the salient observations, conclusions and recommendations of STAP. Comments or suggestions on the contents or format of this paper are invited by the STAP Secretariat, CIA Headquarters Room 6F24, [REDACTED]

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Proposed Intelligence Activities in Support of US Energy Policy and Planning

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June 1978

Observations and Conclusions

1. A number of studies have indicated clearly that a driving force in the strategic position of the major powers in the 1980s-1990s will be the availability and price of major energy resources. In this time frame, oil, natural gas, coal, and uranium are the only resources that need be considered. At present, a number of agencies and departments—CIA, DOE, Defense, Treasury, and State—have limited efforts to examine the present situation and are making limited extrapolations of what might happen over the next 10 years or more with the emphasis on the shorter term projections.

2. There is a high probability of continued increases in the price of oil and a possible severe shortage of oil relative to the demands of the world economy by the end of the coming decade. The "crunch" will be massive under the almost certain condition that the Soviets will no longer be a net energy exporter. The situation will be even worse if CIA forecasts of the Soviet need to become a substantial importer are valid. Alternative sources of energy will simply not be available in practical economic terms in the necessary volume by that time.

3. The implications of this situation in itself and for the actions of governments as it becomes closer and more salient are numerous, critical, and complex. With the probable exception of the nations of arid Africa, the consequences of the impending energy crunch will impact heavily on most governments and thus on most major international economic issues; on the stresses felt by existing alliance systems (NATO and Warsaw Pact); on regional power balances and emerging regional powers; and on perceptions of the need for and incentives to use military forces. Without engaging in overstatement, the energy factor will have at least as much impact on the role of the United

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States in the world in the coming decades as nuclear weapons have had in previous decades.

4. Relative to nuclear weapons, the energy factor will create far more difficult requirements for information and thus tasks for the US intelligence and policy analysis communities. The implications cannot be adequately grasped simply through concentration on a very small number of foreign countries, on military as distinct from economic matters, and on meeting the problem through unilateral US procurements or dispersal of technology.

5. The US energy policy community now has on its agenda a large number of relevant issues and action programs. These developments are relatively recent and fluid in terms of the division of executive branch responsibility and focus on coordination. Nevertheless, the policy community is well ahead of the current production capacity and institutional priorities of the Intelligence Community on energy and energy-related matters. Without substantial increases in the resources allocated to intelligence production pertinent to the energy factor, the gap will grow.

6. Scientific and technical development will greatly influence the pace of energy resource recovery and production in countries throughout the world. Much of this information is in the open literature or available from easily accessible sources. At one time, the Intelligence Community maintained almost routine coverage of these engineering (non-nuclear) developments. Shifting emphasis to assumed higher priority items has vastly degraded the US capability in monitoring technical developments in many areas of fossil fuel recovery, conversion, and use. For example, our knowledge of technological possibilities of the use of the high BTU gas production developed in East Germany is extremely limited. Our knowledge of the South African technology for the development and use of Solvent Refined Coal is similarly limited. A list of comparable examples is virtually limitless. The failure to maintain cognizance of technical developments in the non-nuclear energy area will severely limit technical developments in the use of fossil fuels in the United States.

7. Many of the policy alternatives now under active consideration and increasingly detailed formulation call for syntheses of two kinds. First, they require the integration of political, economic, and scientific and technical intelligence. Second, they require the integration of estimative intelligence on the policy intentions, capacities, and responses of numerous governments in OECD, in CEMA, and in the developing world.

8. Unfortunately, these two sorts of syntheses are precisely what the US Intelligence Community is poorly organized to provide. Given other production burdens and historically established interagency and interoffice divisions

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of labor, it is unrealistic to expect these syntheses to be generated in the absence of high-level guidance and demand. There clearly exists competence among individual analysts as demonstrated by a superb ORPA report on the political economics of energy in the Warsaw Pact.

9. Analyses which synthesize across types of information and pertinent nations obviously can be no better than the descriptive intelligence information and "single discipline" and "single country" analyses on which they can draw. The activities being undertaken and the priority questions identified for production are by and large commendable and necessary. They are in no way sufficient, however, to the scope of the problems posed by the energy factor.

10. It would obviously be inappropriate to assume that the sole provider of information pertinent to energy and energy-related policy issues will or should be the Intelligence Community. However, there is little evidence of a thorough assessment of which information needs should be met by the Intelligence Community, which would be best provided by analysts working under other public and private sector auspices, and how these streams of production should be organized to complement each other efficiently.

11. An examination of these efforts to understand (a) the energy policy of the Soviet Union, (b) the implications of the energy shortages to the LDCs, and (c) the significance of these developments to the future of the United States convinces us that US efforts in this area fall far short of what is needed. In our view, the availability of energy will *determine* the economic situation in the world in the 1985-2000 period. There is at present no *unified* effort to understand the long-term view of the Soviets regarding their energy policy or ~~even their assessment~~ of the US policy. Limited efforts are under way to understand Soviet R&D developments. We believe that these are relatively weak attempts which reflect an evaluation of Soviet R&D in terms of our own programs.

12. The rapid evolution of requirements for intelligence on energy systems poses two kinds of important problems. First, our lack of experience will hinder the developments of the kind of analysis important in the 1985-2000 time period. Second, the users of intelligence analysis will also require experience as to the kind of analysis that will be of greatest aid in the formulation of policy. The development of the appropriate analytical capabilities and the acquisition of the means to use analysis will require the close cooperation of the analytic and policy making communities.

Recommendations

1. The DCI should charge his staff to develop a community-wide plan for the production of energy and energy-related intelligence and the identifi-

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cation of the additional resources necessary to support the framing and evaluation of US policy choices. The plan should also identify the focus of leadership responsibility to ensure that the synthesized analyses mentioned earlier will be forthcoming.

2. The DCI and his representatives should clarify with the Secretary of Energy and his representatives the information needs of the latter and the contributions each will make to the provision of needed analyses. Resolution of their relationship is important for getting on with the substantive intelligence needs posed by the energy factor. Failure to do so is likely to result in unproductive hassles about control of the turf and additional intelligence resources.

3. While all necessary work cannot be done at once, the Intelligence Community should pursue major synthesized analyses of, and devote ongoing intelligence attention to, a small number of particularly crucial questions and problems facing US policymakers. These include:

- Preparations to maintain the safety of oil transport by sea to the United States, Western Europe, and Japan.

- Feasible and acceptable US initiatives to enhance the non-nuclear energy alternatives available to the developing countries (and in particular to potential nuclear proliferators).

- Alternative adaptations by major OECD nations to the coming energy crunch, including their responsiveness to collective action proposals in cooperation with each other and the United States.

- Clarification of the extent and the economic and technical conditions for feasible exploitation and use of energy mineral endowments on a worldwide basis (in particular oil, natural gas, uranium, and coal).

- Alternative strategies to create sufficient interdependence between major energy exporters and importers to induce the latter to sharply boost extraction rates in time of emergency and to acquire the facilities on a standby basis which will make that possible in a timely fashion.

- Development of institutional techniques that will facilitate the rapid application of energy technologies developed outside the United States but knowledge of which may have been obtained through intelligence analysis.

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